

**STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON TRANSPORTATION SECURITY
AND INFRASTRUCTURE PROTECTION
COMMITTEE ON HOMELAND SECURITY
UNITED STATES HOUSE OF REPRESENTATIVES
HEARING ON
100% AIR CARGO SCREENING:
REMAINING STEPS TO SECURE PASSENGER AIRCRAFT**

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SOS Global Express

Subcommittee on Transportation Security and Infrastructure Protection
Committee on Homeland Security
United States House of Representatives

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Introduction

I would like to thank Chairwoman Jackson-Lee, Ranking Member Dent and the other members of the Subcommittee on Transportation Security and Infrastructure Protection for the opportunity to present testimony for today's hearing.

Today's hearing topic – what steps does the Transportation Security Administration need to take to secure America's skies with a 100% air cargo screening mandate – is timely and critical to both our national security and the air cargo industry. My testimony focuses on TSA implementation of the 100% screening mandate and its impact on the thousands of small and mid-size freight forwarders whose very existence depends on reliable access to passenger aircraft for shipping cargo.

I am honored to testify today as the owner of SOS Global Express, a small freight forwarder based in New Bern, NC. We ship cargo on passenger planes out of more than 120 airports nationwide on an annual basis and employ approximately 150 employees in eight states. In the areas that we operate, our employees make wages that are substantially higher than others with similar educations and we are proud of our ability to help them provide for their families.

I am also speaking as a founding member of the Air Cargo Security Alliance (ACSA). ACSA is a coalition of over 300 Indirect Air Carriers, direct shippers, customs brokers and affiliated businesses nationwide that represent every part of the air cargo industry. Formed in 2008, ACSA is dedicated to developing and implementing an air cargo screening program that will meet our homeland security needs and allow all members of the air cargo industry to continue providing world-class service to their customers.

ACSA's mission is ensure a level playing field for the entire air cargo industry through the development of a multi-layered air cargo screening program that relies on two very important components: First, voluntary screening by members of the air cargo industry and, second, the presence of federal screening centers physically located at America's airports. Any program that fails to include both of these elements will create economic and logistical obstacles to effective screening and fair competition.

Background

The air cargo industry is made up of over 4,200 registered Indirect Air Carriers (IACs), which operate at over 10,000 separate facilities and utilize over 450 airports nationwide, as well as dozens of airlines which carry air cargo and millions of companies that rely on IACs (also known as freight forwarders) to move their goods through the air cargo supply chain. The volume of cargo that is shipped via commercial airplanes is immense – more than 50,000 tons a day, with over 12 million pounds moving on commercial passenger planes daily.

Air cargo can range from very small packages to loads that weigh several tons. On any typical day the cargo shipped on passenger planes will include anything from perishable foods and flowers to machinery and equipment. The cargo can be shipped in numerous forms including individually wrapped packages, wooden crates, assembled pallets and large containers called unit loading devices.

The companies that make up the air cargo industry are as diverse as the freight that they move. Obviously, there are several very large companies such as integrators, which own their own planes, trucks and warehouses (such as FedEx, UPS and DHL). However, the vast majority of the companies that make up the industry are small companies that do not own or operate aircraft, own limited (or no) warehouse space and contract with trucking companies for their trucking needs rather than own fleets of trucks.

Typically, when a small or mid-size IAC gets an order to move cargo from one city to another on a specific, time-sensitive schedule, the company will make arrangements with a commercial air carrier to transport the cargo and contract with a trucking company to deliver the cargo from its origination point to the airport for loading on the passenger plane. They will also contract with another company to pick the freight up at the airport following the flight and deliver it to its final destination. At no point during this transaction does the cargo go to a warehouse or central clearing station owned or operated by the IAC.

The consequences of the 100% air cargo screening mandate apply equally to every participant in the air cargo industry; from the shipper, trucker and IAC to the airline and the ultimate consignee. It is vitally important to the existence of all of these companies that the mandate be implemented in a manner that takes into consideration their unique needs and business model.

9/11 Act and TSA Response

The Transportation Security Administration (TSA) is responsible for securing the air cargo transportation system without unduly impeding the flow of commerce.¹ In order to carry out this mission, TSA is responsible for establishing security requirements governing all domestic-originating flights (whether on domestic or foreign passenger air carriers) that transport cargo, overseeing the implementation of air cargo security requirements by air carriers and freight forwarders and conducting research and development of air cargo security technologies.²

¹ Transportation Security Administration, Air Cargo Strategic Plan, November 2003.

² GAO, *Transportation Security Administration May Face Resource and Other Challenges in Developing a System to Screen All Cargo Transported on Private Planes*, Testimony before the Subcommittee on Transportation Security and Infrastructure Protection, July 2008.

In order to meet these security requirements, TSA developed a multilayered, risk-based system that requires airlines to screen a percentage of cargo transported on passenger aircraft, requires IACS to screen (or provide to TSA for screening) all cargo that meets certain high-risk criteria and includes TSA screening of all cargo at Category II-IV airports.

Pursuant to the language enacted in the Implementing Recommendations of the 9/11 Commission Act of 2007 (“the 9/11 Act”), TSA is also required to establish a system to screen 100 percent of air cargo transported on domestically originated passenger aircraft.

Section 1602 of the 9/11 Act requires this system to provide a level of security commensurate with the level of security for the screening of passenger checked baggage, requires that 50% of all cargo be screened by February of 2009, and require 100% of all cargo be screened by August 2010. The 9/11 Act also provides TSA with the authority to develop additional methods to ensure that cargo does not pose a threat to transportation security – including the development of a program to certify the security methods used by shippers.

The 9/11 Act defines the term “screening” to mean “a physical examination or non-intrusive method of assessing whether cargo poses a threat to transportation security.” Examples of such methods include x-ray systems, EDS, ETD, explosives detection canine teams and a physical search with manifest verification.

The costs of meeting the 100% screening mandate will be significant – In a 2007 study, the Center for American Progress estimated the total costs of screening 100% of the cargo tendered on passenger planes will be at least \$600 million annually.³

In response to the enactment of the screening requirements set forth in the 9/11 Act, TSA announced that it would not conduct any screening of air cargo, but would instead develop a two-pronged approach that will rely on screening by air carriers and the development of the Certified Cargo Screening Program (CCSP).

The CCSP is designed to allow the screening of air cargo to take place at various points throughout the air cargo supply chain. Participants in the CCSP, including freight forwarders, direct shippers, manufacturing facilities and perishable shippers, will be designated as Certified Cargo Screening Facilities (CCSFs) upon meeting security requirements established by TSA. In order to prove the validity of the CCSP approach, TSA has initiated a pilot program, in which TSA has purchased screening equipment for a limited number of large IACs in 18 major cities.

In addition to the development of the CCSP, TSA implemented regulations that require 100% of all cargo transported on narrow-bodied planes (airplanes that have only one aisle) to be screened. Due to the fact that participation in the CCSP has not been robust, compliance with this rule, which became effective on October 1, 2008, has fallen largely on the shoulders of air carriers.

³ PJ Crowley and Bruce Butterworth, *Keeping Bombs Off Planes*, Center for American Progress, May 2007.

Impacts of the Current TSA Approach

The Air Cargo Security Alliance applauds TSA's commitment to a multi-layered approach to air cargo security and the creation of the CCSP program. However, ACSA believes that CCSP must be supplemented by federal air cargo screening centers at America's airports in order to ensure that all companies have the ability to utilize the air cargo network.

In order to participate in the CCSP, a freight forwarder will be required to purchase screening equipment, acquire (or already own) warehouse space to facilitate the screening, and hire and train employees to conduct the cargo screening.

As discussed above, the small and mid-sized companies that make up the vast majority of freight forwarding industry have very limited warehouse space (which is often owned by a third-party and leased by the forwarder) - and typically operate at many airports where they do not have any warehouses at all. Unlike the integrators, who move all of their cargo through their own warehouses located at the airports prior to placing it on their planes, freight forwarders rely on a nation-wide network of trucking companies to route their cargo directly from the original pick-up point to the airport for tender with the airline for the vast majority of their shipments.

Given the business model that freight forwarders use, the costs of securing warehouse space, acquiring screening equipment, hiring employees to conduct the screening and training those employees in order to participate in the CCSP can be simply overwhelming. The purchase of the screening equipment alone will cost between \$150,000 and \$500,000 or more per facility.⁴ For a typical freight forwarder or customs broker, this will add up to an investment of several million dollars merely to continue servicing existing clients and accounts.

Although there are some companies which can afford these types of investments, there is simply no way that the vast majority of the 4,200 IACs nationwide have the financial resources to participate in such a program. In order to remain competitive with the with multi-national freight forwarders or intergrators who can afford the investment in screening equipment, small and medium-sized IACs are forced to make a tough choice – they can either purchase the screening equipment (provided that lenders are able to extend them credit), or they face a continuing loss of business and are forced to downsize their operations. Considering the current economic contraction, the burden of making such a tremendous investment could not be placed on small business owners at a worse time.

In addition to the direct costs, the air cargo industry will also face reduced air cargo service because airlines have been forced to invest millions in cargo screening equipment in order to continue providing air cargo services. Given the volume of air cargo traffic, airlines are likely to make these investments at major hub-airports. However, airlines are simply not economically capable of making the substantial investments required to continue servicing all non-hub airports that are currently used by IACs.

In fact, since TSA's announcement of the narrow-body screening program, air carriers have announced reduced or eliminated air cargo service to several regional airports including

⁴ Testimony of Cindy Allen, National Customs Broker and Forwarders Association of America, before the Subcommittee on Transportation Security and Infrastructure Protection, July 15, 2008.

Colorado Springs, Anchorage, Palm Springs, and Buffalo. As airlines are faced with the costs of purchasing screening equipment, it is reasonable to assume that airlines will scale back air cargo services to hub airports only. This pull-back in cargo service will eventually force IACs and their customers to rely solely on hub-airports – and will likely force many to lay off workers and close their doors.

The impact that TSA's reliance on CCSP and airline screening to meet the 100% screening mandate will have on the air cargo industry will be devastating.

In addition to forcing airlines to restrict air cargo services to hub-airports only, denying them much-needed cargo revenues, it will:

- Force airlines them to spend millions of dollars in screening equipment at a time when they are least able to make such investments,
- Significantly reduce (or completely eliminate) cargo volumes at hundreds of regional airports nationwide,
- Force IACS to choose between spending millions to participate in the CCSP program or face restricted (and more expensive) access to passenger fleets for air cargo service,
- Significantly drive up shipping costs for businesses that rely on the air cargo industry to move their goods on an expedited basis, and
- Cause job losses as both regional airports and small to mid-size IACs lose air cargo volume.

The Need for Federal Air Cargo Screening Centers

In order to comply with the clear Congressional intent in the 9/11 Act, and in order to ensure that the thousands of small companies that make up an integral part of the air cargo industry are not significantly or unfairly disadvantaged, we recommend that TSA establish and operate federal air cargo screening centers that will operate at all American airports.

Such federal screening centers would ideally:

- Be funded by a per-pound screening fee modeled on the passenger screening program currently operated by TSA,
- Provide screening at all American airports,
- Allow the screened cargo to go onto any airline that provides air cargo services, and
- Work in conjunction with the CCSP program.

The presence of such screening centers at American airports would preserve hundreds of thousands of jobs in the air cargo industry, enhance air cargo security, ensure that the entire air cargo industry would retain the ability to service their customers and maximize the flow of air cargo.

If TSA were to implement ACSA's proposal and establish federal screening centers, they would:

- Protect thousands of new jobs without raising taxes or adding to the federal deficit,
- Allow non-CCSP participants to continue to drop cargo at the airport
- Allow non-CCSP participants to ship cargo on any airline,

- Allow companies to choose whether they want to participate in CCSP or not, and
- Allow US businesses to continue to compete globally – by ensuring that they can continue to rely on air cargo services to get their products into the market in a timely and reliable manner.

Furthermore, where the individual IAC operating as a CCSF will screen only a limited amount of cargo, the federal screening program would screen cargo received from multiple IACs, providing a much better return on investment.

Conclusion

The air cargo industry is as diverse as the shipping community it services. The companies that make up this industry come in all sizes and offer “niche” services as well as a full menu of offerings from managed global transportation to warehousing, distribution, trade compliance, and even financial services. The small to mid-size forwarder with an entrepreneurial bent can provide equally competitive service offerings as multi-national companies given a level playing field.

However, TSA’s current cargo screening regime will take away that level playing field and force the small to mid-size IACS to face insurmountable costs and logistical hurdles in order to remain in the market-place. For many, a 100% screening mandate without federal screening centers operating at all American airports is a threat to their very existence.

The Air Cargo Security Alliance calls upon Congress and the Obama Administration to fulfill the clear Congressional intent of the 9/11 Act and protect the air cargo industry by creating federal air cargo screening centers that will operate at all American airports. As a nation committed to both homeland security and economic growth, we must allow IACs to continue to serve their clients and provide essential services that create hundreds of thousands of jobs, ensure the timely delivery of essential goods worldwide and bolster the American economy.

Thank you for the opportunity to submit this testimony to the Subcommittee.